

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission
On it Own Motion

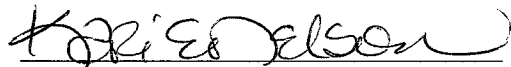
vs.

South Beloit Water, Gas, and Electric Company
Respondent

)
)
)
) Docket No. 03-0706
)
)

NOTICE OF FILING


Please take notice that on April 1, 2004, I caused to be filed via e-Docket with the Illinois Commerce Commission, South Beloit Water, Gas, and Electric Company's Direct Testimony of Sonya Kessinger with related exhibits.


Kari E. Nelson

Regulatory Planning Associate
Alliant Energy Corporate Services
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing Notice of Filing, together with the document referred to therein, were served upon the parties on the attached service list, by first-class mail, proper postage prepaid from Madison, Wisconsin, on the 1st day of April, 2004.


Kari E. Nelson

Docket No. 03-0706

Direct Testimony and Exhibits

of

Sonya Kessinger

South Beloit Water, Gas, and Electric Company

Docket No. 03-0706

April 1, 2004

1 **Q. Please state your name and business address.**

2 A. My name is Sonya M. Kessinger. My business address is 4902 N. Biltmore Lane,
3 P.O. Box 77007, Madison, Wisconsin 53707-1007.

4 **Q. By whom are you employed?**

5 A. I am employed by Alliant Energy Corporate Services as a Regulatory Pricing
6 Analyst. Alliant Energy Corporate Services is a services company that supports
7 the operations of the various companies that are part of Alliant Energy
8 Corporation (Alliant Energy).

9 **Q. How long have you been employed by Alliant Energy Corporate Services?**

10 A. I have been employed by Alliant Energy Corporate Services since March 2003.

11 **Q. Please describe Alliant Energy.**

12 A. Alliant Energy is a registered public utility holding company that is regulated by
13 the Securities and Exchange Commission under the Public Utility Holding
14 Company Act. Alliant Energy has two direct public utility subsidiaries. They are
15 Wisconsin Power and Light Company (WP&L) and Interstate Power and Light
16 Company (IPL). In addition, WP&L has a wholly owned utility subsidiary, South
17 Beloit Water, Gas and Electric Company (SBWGE).

18 **Q. On whose behalf are you testifying?**

19 A. I am testifying on behalf of SBWGE.

20 **Q. What are your duties as a Regulatory Pricing Analyst?**

21 A. My current responsibilities include the design, analysis, and implementation of
22 gas, electric and water rates in Alliant Energy's Wisconsin and Illinois public

23 utility service territories, along with providing support for projects that involve
24 regulatory pricing concerns.

25 **Q. Please describe the purpose of your testimony.**

26 A. On November 12, 2003 the Illinois Commerce Commission issued an Order in
27 Docket 03-0706 commencing the twenty-sixth round of proceedings to reconcile
28 revenues collected under the purchased gas adjustment charges with actual costs.
29 The Order directs each utility designated as a respondent to present evidence at a
30 public hearing.

31 The evidence in this reconciliation for SBWGE covers the period from January 1,
32 2003 through December 31, 2003. SBWGE is presenting evidence reconciling
33 purchased gas adjustment clause revenues collected based on the purchased gas
34 expense on the books of SBWGE.

35 **Q. Are you familiar with the nature of the WP&L and SBWGE gas utility**
36 **system?**

37 A. Yes I am. Natural gas service is provided in the City of South Beloit, the Village
38 of Rockton, and parts of the townships of Rockton, Roscoe, Laona and Durand in
39 Winnebago County, and parts of the Townships of Rock Grove and Rock Run in
40 Stephenson County. The issued and outstanding capital common stock of
41 SBWGE is beneficially owned by WP&L. WP&L furnishes gas service to the
42 public in southern and central Wisconsin, including the City of Beloit and
43 surrounding areas of Rock County, Wisconsin.

44 The City of Beloit, Wisconsin constitutes a single community or population
45 center. The City of South Beloit, Illinois immediately adjoins the City of Beloit,
46 Wisconsin. The two cities are separated only by the State Line, which in some
47 areas runs down the center of a paved street. The natural gas distribution systems
48 of the respective utility companies are interconnected at many points along the
49 State Line. Physically, the entire Beloit-South Beloit-Rockton area is served by a
50 single integrated gas distribution system.

51 SBWGE has no direct employees. WP&L is SBWGE's sole supplier of metered
52 gas service under terms of a contract approved by the ICC.

53 **Q. Have you prepared any exhibits to accompany your testimony in this**
54 **matter?**

55 A. Yes, I have prepared Exhibits 1.1 through 1.5.

56 **Q. Please describe Exhibit 1.1 through Exhibit 1.2.**

57 A. Exhibit 1.1 and 1.2 present analysis of the total purchased gas expense determined
58 per the Gas Charge component of the SBWG&E Uniform PGA. These exhibits
59 provide support for the reconciliation of gas charges collected and purchased gas
60 costs incurred.

61 Exhibit 1.1 shows the calculation of the Factor O and summarizes gas costs and
62 recoveries for 2003. This exhibit shows an over-collection of purchased gas costs
63 including interest in the amount of \$510,787, Line 10. Additionally, it shows the
64 total Factor O to be collected with the effect of the Factor A amortization. The
65 calculated 2003 Factor O is \$307,846, see Line 14.

66 Exhibit 1.2 shows the monthly detail of purchased gas costs and recoveries
67 including out-of-period adjustments. The total gas cost for the 2003
68 reconciliation year was \$5,431,159 as shown on Line 52. The total recovered gas
69 cost for this period was \$5,935,944 as shown on Line 56.

70 **Q. What amount of revenues and expenses were associated with Gas Industry**
71 **Transition charges during calendar 2003, shown on Exhibits 1.3 and 1.4.**

72 A. Exhibit 1.3 and 1.4 present analyses of the 2003 Gas Industry Transition (GIT)
73 charges reported via the SBWGE PGA.

74 Exhibit 1.3 shows the calculation the GIT Factor O. This exhibit shows an over
75 recovery of GIT charges in the amount of \$5,697 shown on Line 10. The total
76 Factor O to be refunded including interest and the effect of the amortization of
77 Factor A is \$537, shown on Line 14.

78 Exhibit 1.4 shows GIT recoveries and costs by month. The total amount of GIT
79 cost for 2003 was \$25,250 as shown on Line 8 of Exhibit 1.4. The recovered
80 amount for this period excluding interest was \$30,970 as shown on Line 26.

81 **Q. Have the revenue and cost data presented in this testimony been audited by**
82 **an independent accountant, as required by 83 Ill. Adm. Code 425.50(b)?**

83 A. Yes, the exhibits in this proceeding have been externally audited by the
84 Company's external auditor, Deloitte & Touche. The External Audit Opinion is
85 included as Exhibit 1.5.

86 **Q.** **Do you believe that the gas costs incurred by SBWGE in 2003 are just and**
87 **reasonable reflecting prudent fuel costs incurred to serve SBWGE gas**
88 **customers?**

89 **A.** Yes I do.

90 **Q.** **Does this conclude your testimony?**

91 **A.** Yes, this concludes my testimony.

**South Beloit Water, Gas and Electric Co.
Summary of 2003 Reconciliation Gas Charge
Factor O determination**

Line	Description	Amount
1	Unamortized Balance as of 12/31/02 per 2002 reconciliation:	\$ -
2	Factor A Adjustments Amortized to Schedule I at 12/31/02 reconciliation per 2002 Reconciliation:	(184,854)
3	* Factor O Collected/(Refunded) during 2003 including interest	0
4	Balance to be Collected/(Refunded) during 2003 from Prior Periods (sum of lines 1-3)	\$ (184,854)
5	2003 PGA Recoverable Gas Costs:	5,431,159
6	2003 PGA Revenue (Actual Recoveries):	(5,935,944)
7	Interest:	(6,002)
8	Pipeline Surcharges/Refunds	0
9	Other Adjustments:	0
10	2003 (Over) / Under Recovery (sum of lines 5-9):	\$ (510,787)
11	(Over) / Under Recovery Balance at 12/31/2003 (line 4 + line 10):	(695,641)
12	Factor A Adjustments Amortized to Schedule I at 12/31/2003:	(1,003,487)
13	Unamortized at December 31, 2003	0
14	Requested Factor O to be Collected/(Refunded) (line 11 - line 12 - line 13- line 14- line 15):	<u>\$ 307,846</u>

* The 2002 Factor O of was included in the month of March 2004 filing in the amount of (\$176,899)

Notes:

Line 1 SBWGE 2003 Reconciliation of Gas Charge, Line 61, January
Line 2 SBWGE 2003 Reconciliation of Gas Charge, Line 58, January + February
Line 3 Illinois Commerce Commission Order 02-0728
Line 5 SBWGE 2003 Reconciliation of Gas Charge, Line 52
Line 6 SBWGE 2003 Reconciliation of Gas Charge, Line 56
Line 7 SBWGE 2003 Reconciliation of Gas Charge, Line 67
Line 8 Line 4 X the effective interest rate at 1.5%
Line 9 SBWGE 2003 Reconciliation of Gas Charge, Line 60
Line 12 SBWGE 2003 Reconciliation of Gas Charge, Line 63 November + December

**SOUTH BELOIT WATER, GAS AND ELECTRIC COMPANY
2003 UNIFORM PGAC RECONCILIATION REPORT
SUMMARY OF TOTAL SYSTEM USAGE AND GAS CHARGES**

Line	Description	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total	Line
Gas Charge															
1	Demand 1	\$ 4,168,399	\$ 2,923,567	\$ 2,480,670	\$ 15,404	\$ 78,831	\$ 59,315	\$ 35,379	\$ (266,131)	\$ (244,673)	\$ (219,793)	\$ 1,653,689	\$ 2,403,467	\$ 13,088,124	1
2	less: Off-System Sales	648	6,581	5,937	3,816	10,062	6,422	9,720	9,941	9,944	9,946	9,740	14,282	97,039	2
3	Nominated Revenues	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,649	1,650	1,650	19,797	3
4	Total Demand 1	\$ 4,166,101	\$ 2,915,336	\$ 2,473,083	\$ 9,939	\$ 67,120	\$ 51,243	\$ 24,010	\$ (277,721)	\$ (256,267)	\$ (231,388)	\$ 1,642,299	\$ 2,387,536	\$ 12,971,288	4
5	Demand 2	\$ 1,313,134	\$ 924,531	\$ 775,366	\$ 495,933	\$ 300,890	\$ 226,155	\$ 147,068	\$ 52,661	\$ 55,637	\$ 230,564	\$ 532,183	\$ 1,080,829	\$ 6,134,949	5
6	less: Off-System Sales	292	2,960	2,670	1,716	4,525	2,888	4,371	4,470	4,472	4,473	4,380	6,422	43,638	6
7	Daily Balancing Service-DB	48,923	28,754	33,854	47,807	54,413	27,470	26,600	19,768	16,529	15,280	25,158	30,195	374,752	7
8	Nominated Revenues	621	621	621	621	621	621	621	621	621	621	681	681	7,576	8
9	Total Demand 2	\$ 1,263,298	\$ 892,196	\$ 738,220	\$ 445,788	\$ 241,330	\$ 195,175	\$ 115,476	\$ 27,801	\$ 34,015	\$ 210,190	\$ 501,963	\$ 1,043,530	\$ 5,708,982	9
10	Commodity	\$ 41,936,483	\$ 42,761,364	\$ 43,836,925	\$ 18,653,873	\$ 8,395,166	\$ 5,965,544	\$ 11,215,436	\$ 11,255,955	\$ 5,440,849	\$ 9,070,128	\$ 18,160,874	\$ 23,939,337	\$ 240,631,932	10
11	plus: Other Expenses - Acct 813	1,049	1,072	596	-	-	-	-	-	-	-	-	-	2,716	11
12	less: Off-System Sales	20,848,630	16,556,626	7,946,389	7,310,361	3,129,492	1,579,689	2,857,469	1,755,826	1,330,194	2,094,319	6,537,843	3,379,570	75,326,409	12
13	Peaker Costs	3,092,588	5,363,017	7,350,681	2,524,609	496,054	1,338,245	5,463,488	7,344,972	1,471,983	1,468,767	1,670,030	(1,271,731)	36,312,702	13
14	Derivatives	965,665	3,071,232	5,312,489	649,500	-	-	-	-	-	-	(790,641)	6,065,260	15,273,505	14
15	Total Commodity	\$ 17,030,649	\$ 17,771,561	\$ 23,227,962	\$ 8,169,402	\$ 4,769,619	\$ 3,047,611	\$ 2,894,478	\$ 2,155,157	\$ 2,638,672	\$ 5,507,041	\$ 10,743,642	\$ 15,766,238	\$ 113,722,033	15
Usage, Therms															
WPL Demand 1															
16	Residential Firm	24,331,389	21,091,421	15,198,765	9,622,579	4,576,159	2,331,142	1,541,052	1,937,348	2,730,127	6,600,683	11,402,779	17,482,726	118,846,170	16
17	Commercial Firm	15,355,827	13,197,328	9,611,265	6,341,014	3,023,489	2,312,825	1,786,980	2,015,938	2,471,947	4,390,324	7,032,985	10,407,250	77,947,172	17
18	Industrial Firm	1,887,161	1,417,755	1,075,344	656,289	232,162	169,537	170,808	249,924	271,759	483,370	901,852	1,188,926	8,704,887	18
19	Transportation Firm - FT2	0	0	0	0	0	0	0	0	0	0	0	0	0	19
20	WPL Total Demand 1	41,574,377	35,706,504	25,885,374	16,619,882	7,831,810	4,813,504	3,498,840	4,203,210	5,473,833	11,474,377	19,337,616	29,078,902	205,498,229	20
SBWGE Demand 1															
21	Residential Firm	1,313,493	1,035,662	684,362	411,201	176,354	146,718	126,186	76,201	169,316	414,557	664,270	996,196	6,214,516	21
22	Commercial Firm	424,449	398,343	234,685	94,080	58,819	60,168	49,905	30,922	68,971	98,137	258,878	295,977	2,073,334	22
23	Industrial Firm	94,942	96,702	47,541	23,539	7,618	12,173	9,016	7,967	18,232	34,816	73,526	81,429	507,501	23
24	SB Total Demand 1	1,832,884	1,530,707	966,588	528,820	242,791	219,059	185,107	115,090	256,519	547,510	996,674	1,373,602	8,795,351	24
25	Total Demand 1 therms	43,407,261	37,237,211	26,851,962	17,148,702	8,074,601	5,032,563	3,683,947	4,318,300	5,730,352	12,021,887	20,334,290	30,452,504	214,293,580	25
WPL Demand 2															
26	Sales of Gas - Retail	41,751,439	36,406,561	26,489,434	17,025,694	8,192,367	5,087,801	3,596,237	4,459,958	5,797,840	12,165,343	21,436,805	29,895,416	212,304,895	26
27	Transportation Firm - FT2	0	0	0	0	0	0	0	0	0	0	0	0	0	27
28	Total Demand 2	41,751,439	36,406,561	26,489,434	17,025,694	8,192,367	5,087,801	3,596,237	4,459,958	5,797,840	12,165,343	21,436,805	29,895,416	212,304,895	28
SBWGE Demand 2 and Commodity															
29	Sales of Gas - Retail	1,911,780	1,595,601	1,022,381	547,134	267,313	226,055	200,607	123,707	272,592	588,895	1,050,101	1,438,782	9,244,948	29
30	Total Demand 2 therms	43,663,219	38,002,162	27,511,815	17,572,828	8,459,680	5,313,856	3,796,844	4,583,665	6,070,432	12,754,238	22,486,906	31,334,198	221,549,843	30
WPL Commodity															
31	System Therms Sold	49,019,374	44,124,157	37,723,175	21,620,497	9,123,257	7,358,974	12,424,490	17,350,075	8,918,154	16,606,230	25,884,348	36,487,437	286,640,168	31
32	less Peaker Therms	5,206,739	5,944,868	10,061,648	3,973,174	640,491	2,032,796	8,591,047	12,698,898	2,835,276	3,838,596	3,330,770	5,058,735	64,213,038	32
33	Total Commodity therms	43,812,635	38,179,289	27,661,527	17,647,323	8,482,766	5,326,178	3,833,443	4,651,177	6,082,878	12,767,634	22,553,578	31,428,702	\$222,427,130	33
Unit Rates															
34	Demand 1	\$0.0960	\$0.0783	\$0.0921	\$0.0006	\$0.0083	\$0.0102	\$0.0065	(\$0.0643)	(\$0.0447)	(\$0.0192)	\$0.0808	\$0.0784		34
35	Demand 2	\$0.0289	\$0.0235	\$0.0268	\$0.0254	\$0.0285	\$0.0367	\$0.0304	\$0.0061	\$0.0056	\$0.0165	\$0.0223	\$0.0333		35
36	Commodity Rate	\$0.3887	\$0.4655	\$0.8397	\$0.4629	\$0.5623	\$0.5722	\$0.7551	\$0.4634	\$0.4338	\$0.4313	\$0.4764	\$0.5017		36

**SOUTH BELOIT WATER, GAS AND ELECTRIC COMPANY
2003 UNIFORM PGAC RECONCILIATION REPORT
SUMMARY OF SBWGE GAS CHARGES AND USAGE**

Line	Description	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total	Line
<u>SBWGE Therm Sales</u>															
<u>Demand 1</u>															
37	Residential Firm	1,313,493	1,035,662	684,362	411,201	176,354	146,718	126,186	76,201	169,316	414,557	664,270	996,196	6,214,516	37
38	Commercial Firm	424,449	398,343	234,685	94,080	58,819	60,168	49,905	30,922	68,971	98,137	258,878	295,977	2,073,334	38
39	Industrial Firm	94,942	96,702	47,541	23,539	7,618	12,173	9,016	7,967	18,232	34,816	73,526	81,429	507,501	39
40		<u>1,832,884</u>	<u>1,530,707</u>	<u>966,588</u>	<u>528,820</u>	<u>242,791</u>	<u>219,059</u>	<u>185,107</u>	<u>115,090</u>	<u>256,519</u>	<u>547,510</u>	<u>996,674</u>	<u>1,373,602</u>	<u>8,795,351</u>	40
<u>Demand 2</u>															
41	Sales of Gas - Retail	<u>1,911,780</u>	<u>1,595,601</u>	<u>1,022,381</u>	<u>547,134</u>	<u>267,313</u>	<u>226,055</u>	<u>200,607</u>	<u>123,707</u>	<u>272,592</u>	<u>588,895</u>	<u>1,050,101</u>	<u>1,438,782</u>	<u>9,244,948</u>	41
<u>Commodity</u>															
42	Sales of Gas - Retail	<u>1,911,780</u>	<u>1,595,601</u>	<u>1,022,381</u>	<u>547,134</u>	<u>267,313</u>	<u>226,055</u>	<u>200,607</u>	<u>123,707</u>	<u>272,592</u>	<u>588,895</u>	<u>1,050,101</u>	<u>1,438,782</u>	<u>9,244,948</u>	42
<u>Cost of Gas</u>															
43	Demand 1	\$ 175,957	\$ 119,854	\$ 89,023	\$ 317	\$ 2,015	\$ 2,234	\$ 1,203	\$ (7,400)	\$ (11,466)	\$ (10,512)	\$ 80,531	\$ 107,690	\$ 361,225	43
44	Demand 2	55,250	37,497	27,400	13,897	7,618	8,296	6,098	755	1,527	9,717	23,417	47,911	168,055	44
45	Commodity.	<u>743,109</u>	<u>742,752</u>	<u>858,493</u>	<u>253,268</u>	<u>150,310</u>	<u>129,349</u>	<u>151,478</u>	<u>57,326</u>	<u>118,250</u>	<u>253,990</u>	<u>500,268</u>	<u>721,837</u>	<u>3,458,327</u>	45
46	Total Cost of Gas	\$ 974,316	\$ 900,103	\$ 974,916	\$ 267,483	\$ 159,944	\$ 139,879	\$ 158,780	\$ 50,680	\$ 108,311	\$ 253,195	\$ 604,217	\$ 877,439	\$ 3,987,607	46
47	Less Interdepartmental	42	76	93	34	14	2	4	2	1	8	31	67	374	47
48	Total less Interdepartmental	<u>\$ 974,274</u>	<u>\$ 900,027</u>	<u>\$ 974,823</u>	<u>\$ 267,449</u>	<u>\$ 159,930</u>	<u>\$ 139,877</u>	<u>\$ 158,776</u>	<u>\$ 50,678</u>	<u>\$ 108,310</u>	<u>\$ 253,187</u>	<u>\$ 604,186</u>	<u>\$ 877,372</u>	<u>\$ 5,468,888</u>	48
<u>Unit Rates [1]</u>															
49	Demand 1	<u>\$0.0960</u>	<u>\$0.0783</u>	<u>\$0.0921</u>	<u>\$0.0006</u>	<u>\$0.0083</u>	<u>\$0.0102</u>	<u>\$0.0065</u>	<u>(\$0.0643)</u>	<u>(\$0.0447)</u>	<u>(\$0.0192)</u>	<u>\$0.0808</u>	<u>\$0.0784</u>		49
50	Demand 2	<u>\$0.0289</u>	<u>\$0.0235</u>	<u>\$0.0268</u>	<u>\$0.0254</u>	<u>\$0.0285</u>	<u>\$0.0367</u>	<u>\$0.0304</u>	<u>\$0.0061</u>	<u>\$0.0056</u>	<u>\$0.0165</u>	<u>\$0.0223</u>	<u>\$0.0333</u>		50
51	Commodity Rate	<u>\$0.3887</u>	<u>\$0.4655</u>	<u>\$0.8397</u>	<u>\$0.4629</u>	<u>\$0.5623</u>	<u>\$0.5722</u>	<u>\$0.7551</u>	<u>\$0.4634</u>	<u>\$0.4338</u>	<u>\$0.4313</u>	<u>\$0.4764</u>	<u>\$0.5017</u>		51

[1] Developed on Exhibit 1.2 page 1 of 3.

**SOUTH BELOIT WATER, GAS AND ELECTRIC COMPANY
2003 UNIFORM PGAC RECONCILIATION REPORT**

Line	Description	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total	Line
<u>GAS COST RECOVERIES</u>															
52	Total Recoverable Gas Costs	\$ 974,274	\$ 900,027	\$ 974,823	\$ 267,449	\$ 159,930	\$ 139,877	\$ 158,776	\$ 50,678	\$ 108,310	\$ 253,187	\$ 604,186	\$ 839,642	\$ 5,431,159	52
53	Total Therm Sales	1,911,780	1,595,601	1,022,381	547,134	267,313	226,055	200,607	123,707	272,592	588,895	1,050,101	1,438,782	9,244,948	53
54	less: Interdepartmental Therms	107	164	111	74	25	4	5	5	3	18	66	134	716	54
55	Total Adjusted Therm Sales	1,911,673	1,595,437	1,022,270	547,060	267,288	226,051	200,602	123,702	272,589	588,877	1,050,035	1,438,648	9,244,232	55
56	PGAC Recoveries	\$ 1,387,107	\$ 675,963	\$ 1,119,809	\$ (88,941)	\$ 392,326	\$ 197,485	\$ 83,701	\$ 198,302	\$ 236,517	\$ 388,513	\$ 754,030	\$ 591,131	\$ 5,935,944	56
57	Actual (Over)/Under Recoveries	\$ (412,833)	\$ 224,064	\$ (144,986)	\$ 356,390	\$ (232,396)	\$ (57,608)	\$ 75,075	\$ (147,624)	\$ (128,207)	\$ (135,326)	\$ (149,844)	\$ 248,511	\$ (504,785)	57
58	Factor A	\$ 36,563	\$ (221,417)	\$ 188,818	\$ (220,738)	\$ 96,295	\$ 70,961	\$ 41,886	\$ 65,288	\$ 65,453	\$ 140,474	\$ -	\$ (275,637)	\$ (12,054)	58
59	Factor O	0	0	0	0	0	0	0	0	0	0	0	0	0	59
60	Other Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	60
61	Unamortized Balance w/Interest	0	(565,794)	(342,837)	(395,794)	(331,517)	(510,142)	(562,780)	(511,911)	(735,639)	(799,390)	(519,253)	159,253	(5,115,802)	61
62	Total Adjustments to Gas Costs:	\$ (376,270)	\$ (563,147)	\$ (299,005)	\$ (260,142)	\$ (467,619)	\$ (496,789)	\$ (445,819)	\$ (594,247)	\$ (798,393)	\$ (794,242)	\$ (669,097)	\$ 132,127	\$ (5,632,641)	62
63	Factor A, Schedule I	\$ 188,818	\$ (220,738)	\$ 96,295	\$ 70,961	\$ 41,886	\$ 65,288	\$ 65,453	\$ 140,474	\$ -	\$ (275,637)	\$ (828,151)	\$ (175,336)	\$ (830,687)	63
64	Unamortized Balance of Factor A	(565,088)	(342,409)	(395,300)	(331,103)	(509,505)	(562,077)	(511,272)	(734,721)	(798,393)	(518,605)	159,054.13	307,463.07	(4,801,953.68)	64
65	Unamortized Balance of Factor O	0	0	0	0	0	0	0	0	0	0	0	0	0	65
66	Applicable Interest Rate	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	66
67	Interest	(706)	(428)	(494)	(414)	(637)	(703)	(639)	(918)	(998)	(648)	199	384	(6,002)	67
68	Total Unamortized Balances	\$ (565,794)	\$ (342,837)	\$ (395,794)	\$ (331,517)	\$ (510,142)	\$ (562,780)	\$ (511,911)	\$ (735,639)	\$ (799,390)	\$ (519,253)	\$ 159,253	\$ 307,847	\$ (5,115,802)	68
<u>Actual PGA Information: as filed</u>															
69	2003 PGA Recoverable Costs:	\$ 974,274	\$ 900,027	\$ 974,283	\$ 267,449	\$ 159,930	\$ 139,877	\$ 158,776	\$ 50,678	\$ 108,310	\$ 192,595	\$ 664,778	\$ 877,408	\$ 5,468,385	69
70	2003 Actual Recoveries:	\$ 822,019	\$ 899,348	\$ 683,285	\$ 317,951	\$ 392,326	\$ 197,485	\$ 179,012	\$ 31,391	\$ (96,816)	\$ 590,979	\$ 1,141,892	\$ 777,071	\$ 5,935,943	70
71	Pipeline Surcharges:	0	0	0	0	0	0	0	0	0	0	0	0	0	71
72	(Over)/Under filed vs. actual	\$ 565,088	\$ (223,385)	\$ 436,524	\$ (406,892)	\$ 0	\$ 0	\$ (95,311)	\$ 166,911	\$ 333,333	\$ (202,466)	\$ (387,862)	\$ (185,940)	\$ 1	72

Line 52 Source: g:\finance\bucking\gls\xxxxcost.xlw, Nancy Buckingham December: Hedging Adjustment of (\$37,730) included in this amount.
Line 52: December Hedging Adjustment of (\$37,730) included in this amount.
Line 53 Source: g:\finance\bucking\gls\xxxxcost.xlw, Nancy Buckingham
Line 54 Source: CA2636, Nancy Buckingham
Line 56 Source: "Calc.xls\Calculation", Kerry Hayden, prior to May 2003, recoveries were estimated in the filings. Following that time, actuals were calculated.
Line 58 Source: Schedule II, Line 4, SBWGE Purchased Gas Adjustment Clause, Gas Charge, as filed with the ICC
Line 59 Source: Schedule II, Line 5, SBWGE Purchased Gas Adjustment Clause, Gas Charge, as filed with the ICC
Line 63 Source: SBWGE Purchase Gas Adjustment Clause, Gas Charge, Factor A, Schedule I (Sch II line 9), as filed with the ICC.
Line 52 December: Hedging Adjustment of (\$37,730) included in this amount.
Line 69 Source: See PGA filings, Schedule II, Line 1
Line 70 Source: See PGA filings, Schedule II, Line 2

**South Beloit Water, Gas and Electric Co.
Summary of 2003 Reconciliation Gas G.I.T. Charge
Factor O determination**

Line	Description	Amount
1	Unamortized Balance as of 12/31/02 per 2002 reconciliation:	\$ -
2	Factor A Adjustments Amortized to Schedule I at 12/31/02 reconciliation per 2002 Reconciliation:	(7,160)
3	* Factor O Collected/(Refunded) during 2003 including interest:	-
4	Balance to be Collected/(Refunded) during 2003 from Prior Periods (sum of lines 1-3)	\$ (7,160)
5	2003 PGA Recoverable Costs:	25,250
6	2003 Actual Recoveries:	(30,970)
7	Interest:	23
8	Pipeline Surcharges/Refunds	0
9	Other Adjustments:	0
10	2003 (Over) / Under Recovery (sum of lines 5-9):	\$ (5,697)
11	(Over) / Under Recovery Balance at 12/31/2002 (line 4 + line 10):	(12,857)
12	Factor A Adjustments Amortized to Schedule I at 12/31/2003	(13,394)
13	Unamortized Balance of Factor Ro at December 31, 2003	0
14	Requested Factor O to be Collected/(Refunded) (line 11 - line 12 - line 13):	<u>\$ 537</u>

* The 2002 Factor O of was included in the month of March 2004 filing in the amount of (\$1,988)

Notes:

Line 1 SBWGE 2003 Reconciliation Gas G.I.T. Charge, Line 37, January
Line 2 SBWGE 2003 Reconciliation Gas G.I.T. Charge, Line 28, January + February
Line 3 Illinois Commerce Commission Order 02-0728
Line 5 SBWGE 2003 Reconciliation, Gas G.I.T. Charge, Line 8
Line 6 SBWGE 2003 Reconciliation, Gas G.I.T. Charge, Line 26
Line 7 SBWGE 2003 Reconciliation, Gas G.I.T. Charge, Line 36
Line 8 Line 4 X the effective interest rate at 1.5%
Line 9 SBWGE 2003 Reconciliation, Gas G.I.T. Charge, Line 66
Line 12 SBWGE 2003 Reconciliation, Gas G.I.T. Charge, Line 33 November + December

**SOUTH BELOIT WATER, GAS AND ELECTRIC COMPANY
2003 UNIFORM PGAC GIT RECONCILIATION REPORT**

Line	Description	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total	Line
	<u>G.I.T. CHARGE</u>														
	<u>G.I.T. Expense</u>														
1	GRI Demand	\$ 233	\$ 176	\$ 160	\$ 160	\$ 177	\$ 98	\$ 112	\$ 102	\$ 101	\$ 102	\$ 101	\$ 160	\$ 1,682	1
2	GRI Volumetric	617	426	382	377	249	263	213	98	164	156	242	366	3,553	2
3	ACA Volumetric	347	350	313	346	251	257	214	195	211	184	241	263	3,172	3
4	2nd GRI Demand	28	12	22	26	6	122	11	19	13	8	7	27	301	4
5	Dakota Cost Recovery	864	1,130	1,023	1,438	697	696	568	570	568	765	762	1,210	10,291	5
6	Transition Cost Recovery	478	420	382	382	382	382	382	382	312	382	382	382	4,648	6
7	Carlton	318	366	336	300	0	0	0	0	0	0	0	283	1,603	7
8	Total Recoverable G.I.T. Costs	\$ 2,885	\$ 2,880	\$ 2,618	\$ 3,029	\$ 1,762	\$ 1,818	\$ 1,500	\$ 1,366	\$ 1,369	\$ 1,597	\$ 1,735	\$ 2,691	\$ 25,250	8
	<u>G.I.T. COST RECOVERIES</u>														
	<u>Therms</u>														
9	Total System Therms	1,911,673	1,595,437	1,022,270	547,060	267,288	226,051	200,602	123,702	272,589	588,877	1,050,035	1,438,648	9,244,232	9
10	Effective Rate - Total GIT	\$ 0.0023	\$ 0.0036	\$ 0.0017	\$ 0.0027	\$ 0.0011	\$ 0.0028	\$ 0.0007	\$ 0.0029	\$ 0.0004	\$ 0.0031	\$ (0.0007)	\$ 0.0038		10
11	Prorated Rate	0.0036	0.0030	0.0027	0.0022	0.0019	0.0020	0.0018	0.0018	0.0017	0.0018	0.0012	0.0016		11
12	Total Recoveries	\$ 6,882	\$ 4,786	\$ 2,760	\$ 1,204	\$ 508	\$ 452	\$ 361	\$ 223	\$ 463	\$ 1,060	\$ 1,260	\$ 2,302		12
13	GG-1 Firm Transport Therms	112,285	98,815	74,239	37,353	11,111	6,353	6,672	5,421	11,349	27,925	56,780	85,481		13
14	G-2 Firm Transport Therms	206,394	183,332	566,989	113,300	86,359	79,616	77,501	66,274	85,229	113,080	137,364	198,374		14
15	Firm Transport Therms	318,679	282,147	641,228	150,653	97,470	85,969	84,173	71,695	96,578	141,005	194,144	283,855	2,447,596	15
16	GRI Volumetric Charges	\$ 0.0004	\$ 0.0006	\$ 0.0003	\$ 0.0005	\$ 0.0002	\$ 0.0005	\$ 0.0001	\$ 0.0005	\$ 0.0001	\$ 0.0006	\$ (0.0001)	\$ 0.0007		16
17	ACA Volumetric Charges	\$ 0.0001	\$ 0.0002	\$ 0.0001	\$ 0.0001	\$ 0.0001	\$ 0.0002	\$ -	\$ 0.0002	\$ -	\$ 0.0002	\$ -	\$ 0.0002		17
18	Effective Rate	\$ 0.0031	\$ 0.0028	\$ 0.0013	\$ 0.0021	\$ 0.0008	\$ 0.0021	\$ 0.0006	\$ 0.0022	\$ 0.0003	\$ 0.0023	\$ (0.0006)	\$ 0.0029		18
19	Prorated PGAC Factor Billed	\$ 0.0027	\$ 0.0023	\$ 0.0019	\$ 0.0017	\$ 0.0014	\$ 0.0014	\$ 0.0014	\$ 0.0014	\$ 0.0013	\$ 0.0013	\$ 0.0008	\$ 0.0012		19
20	Total Recoveries - Firm Sales	\$ 860	\$ 649	\$ 1,218	\$ 256	\$ 136	\$ 120	\$ 118	\$ 100	\$ 126	\$ 183	\$ 155	\$ 341	\$ 4,264	20
21	Interruptible Transport Therms	532,865	473,982	485,945	409,943	347,991	321,952	304,178	307,781	335,575	422,728	481,562	485,772	4,910,274	21
22	GRI Demand	0.0007	0.0012	0.0006	0.0009	0.0003	0.0009	0.0002	0.0009	0.0001	0.0010	(0.0002)	0.0012		22
23	Effective Rate	\$ 0.0024	\$ 0.0016	\$ 0.0007	\$ 0.0012	\$ 0.0005	\$ 0.0012	\$ 0.0004	\$ 0.0013	\$ 0.0002	\$ 0.0013	\$ (0.0004)	\$ 0.0017		23
24	Prorated PGAC Factor Billed	\$ 0.0016	\$ 0.0013	\$ 0.0010	\$ 0.0009	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0007	\$ 0.0004	\$ 0.0007		24
25	Total Recoveries - Interruptible Sales	\$ 853	\$ 616	\$ 486	\$ 369	\$ 278	\$ 258	\$ 243	\$ 246	\$ 268	\$ 296	\$ 193	\$ 340	\$ 4,446	25
26	Total Recoveries	\$ 8,595	\$ 6,051	\$ 4,464	\$ 1,829	\$ 923	\$ 830	\$ 722	\$ 569	\$ 857	\$ 1,539	\$ 1,608	\$ 2,983	\$ 30,970	26
27	(Over) / Under Recoveries	\$ (5,710)	\$ (3,171)	\$ (1,846)	\$ 1,200	\$ 839	\$ 988	\$ 778	\$ 797	\$ 512	\$ 58	\$ 127	\$ (292)	\$ (5,720)	27

Lines 1 - 8, January, incorrect amounts filed

**SOUTH BELOIT WATER, GAS AND ELECTRIC COMPANY
 2003 UNIFORM PGAC GIT RECONCILIATION REPORT**

Line	Description	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total	Line
GAS COST RECOVERIES															
28	Factor A included in setting charge:	\$ (8,918)	\$ 1,758	\$ (14,633)	\$ (1,413)	\$ (16,592)	\$ (323)	\$ (16,201)	\$ 774	\$ (15,423)	\$ 1,641	\$ (14,905)	\$ 2,318	\$ (81,917)	28
29	Factor O included in setting charge:	-	-	-	-	-	-	-	-	-	-	-	-	-	29
30	Prior Unamortized Balance with Interest	-	5	5	118	228	677	569	570	501	496	4,519	5,167	12,855	30
31	Refunds/Surcharges/Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	31
32	Total Adjustments to Gas Costs:	<u>\$ (14,628)</u>	<u>\$ (1,408)</u>	<u>\$ (16,474)</u>	<u>\$ (95)</u>	<u>\$ (15,525)</u>	<u>\$ 1,342</u>	<u>\$ (14,854)</u>	<u>\$ 2,141</u>	<u>\$ (14,410)</u>	<u>\$ 2,195</u>	<u>\$ (10,259)</u>	<u>\$ 7,193</u>	<u>\$ (74,782)</u>	32
33	Factor A to Schedule I	<u>\$ (14,633)</u>	<u>\$ (1,413)</u>	<u>\$ (16,592)</u>	<u>\$ (323)</u>	<u>\$ (16,201)</u>	<u>\$ 774</u>	<u>\$ (15,423)</u>	<u>\$ 1,641</u>	<u>\$ (14,905)</u>	<u>\$ (2,318)</u>	<u>\$ (15,420)</u>	<u>\$ 2,026</u>	<u>\$ (92,787)</u>	33
34	Unamortized Balance of Factor A	\$ 5	\$ 5	\$ 118	\$ 228	\$ 676	\$ 568	\$ 569	\$ 500	\$ 495	\$ 4,513	\$ 5,161	\$ 5,167	\$ 18,005	34
35	Applicable Interest Rate	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%		35
36	Interest	\$ 0.0063	\$ 0.0063	\$ 0.1475	\$ 0.2850	\$ 0.8450	\$ 0.7100	\$ 0.7113	\$ 0.6250	\$ 0.6188	\$ 5.6413	\$ 6.4513	\$ 6.4588	\$ 22.5063	36
37	Total Unamortized Balances with Interest	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 118</u>	<u>\$ 228</u>	<u>\$ 677</u>	<u>\$ 569</u>	<u>\$ 570</u>	<u>\$ 501</u>	<u>\$ 496</u>	<u>\$ 4,519</u>	<u>\$ 5,167</u>	<u>\$ 5,173</u>		37
Actual PGA Information as filed:															
38	2003 PGA Recoverable Costs:	\$ 2,885	\$ 2,880	\$ 2,618	\$ 3,029	\$ 1,762	\$ 1,818	\$ 1,500	\$ 1,366	\$ 1,369	\$ 1,597	\$ 1,735	\$ 2,691	\$ 25,250	38
39	2003 Actual Recoveries:	8,595	6,051	4,577	1,939	1,371	721	722	499	851	920	2,250	2,983	31,479	39
40	Rate used to estimate recoveries	\$ 0.0036	\$ 0.0030	\$ 0.0027	\$ 0.0023	\$ 0.0028	\$ 0.0017	\$ 0.0018	\$ 0.0016	\$ 0.0018	\$ 0.0013	\$ 0.0016	\$ 0.0016		

Source: Line 28: PGAC, GIT for mm, Schedule II, Line 4
 Line 29: PGAC, GIT for mm, Schedule II, Line 5
 Line 31: PGAC, GIT for mm, Schedule II, Line 7
 Line 33: PGAC, GIT for mm, Schedule I, Line 10
 Line 38: PGAC, GIT for mm, Schedule II, Line 1
 Line 39: PGAC, GIT for mm, Schedule II, Line 2
 Line 40: The GIT rate from the month filed and the prior month should be used to estimate GIT recoveries (see Line 24). The actual rate used to estimate these recoveries did not consistently use this method.
 October Usage Adjusted from filing. Filed usage was 447,748. Actual usage was 588,877.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors
South Beloit Water, Gas and Electric Company
Madison, WI

We have audited the exhibits listed below filed by South Beloit Water, Gas and Electric Company (the "Company") with the Illinois Commerce Commission (the "Commission") pursuant to the annual reconciliation requirement of the Company's "Purchased Gas Adjustment Clause" covering the period from January 1, 2003 through December 31, 2003. These exhibits are the responsibility of the Company's management. Our responsibility is to express an opinion on these exhibits based on our audit.

Exhibits:

1. 2003 Reconciliation Gas
2. Summary of 2003 Reconciliation Gas Charge Factor O Determination
3. 2003 Reconciliation Gas G.I.T. Charge
4. Summary of 2003 Reconciliation Gas G.I.T. Charge Factor O Determination

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the exhibits are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the exhibits. An audit also includes assessing the accounting principles used and significant estimates made by management, including compliance with the Federal Energy Regulatory Commission's uniform system of accounts as prescribed by the Commission, as well as evaluating the overall presentation of the exhibits. We believe that our audit provides a reasonable basis for our opinion.

The accompanying exhibits were prepared for the purpose of complying with the rules of the Commission governing automatic adjustment of energy charges and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America nor a complete presentation of the Company's revenues and expenses.

In our opinion, the exhibits referred to above present fairly, in all material respects, the information shown therein for the stated period in accordance with Title 83 of the Illinois Administrative Code Part 525 "Purchased Gas Adjustment Clause" (as amended November 1, 1995).

This report is intended solely for the information and use of the Board of Directors and management of South Beloit Water, Gas and Electric Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 30, 2004